Ontario Economic Report

June 1992
Office of Economic Policy
Ministry of Treasury and Economics

Ontario

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Key Messages

The purpose of this report is to provide an economic context for the continuing development of policies to meet the economic challenges faced by the province. This report examines macroeconomic, sectoral, regional and labour market developments in the Ontario economy and presents a short and medium-term outlook.

Early Signs of Recovery in the Ontario Economy

A number of developments have set the stage for an economic recovery in Ontario. These include significantly lower interest rates, stronger U.S. growth and the recent decline in the Canadian dollar. Recent improvement in a number of areas -- including employment, exports and manufacturing shipments -- reinforce this view.

Knowledge-based Industries Growing in Importance

A recovery appears to be under way. However, structural adjustment will contribute to ongoing high unemployment.

While a cyclical recovery in traditionally important sectors such as housing and autos will lead the recovery in Ontario, business and financial services and knowledge-based industries (e.g., communications equipment, computer software) will also play a very significant role. These industries are expected to grow faster than the economy as a whole.

Structural Pressures Limit Pace of Recovery

The recovery will be weak relative to previous post-recession upturns, as the Ontario economy continues to face significant structural pressures. These structural pressures include increased global competition, accelerating technological change and adjusting to the Canada-U.S. Free Trade Agreement.

Recovery Differs By Community

Some communities will remain vulnerable to ongoing restructuring including: agriculture and other resource-based communities; and communities dependent on low value-added, labour-intensive manufacturing, e.g. consumer products; and distribution-related industries.

Slow Decline in Unemployment

Employment levels are expected to recover more slowly than after the 1981-82 recession, reflecting a greater structural component in job losses, slower U.S. recovery, and increased global competition. More than 130,000 new jobs are expected to be created in Ontario in 1992 and 1993, but the number of jobs will not return to pre-recession levels until 1994.

Moderate job creation, combined with labour force growth as discouraged workers return to the job market, will keep unemployment high for a number of years. While the unemployment rate will start to decline later this year, it is not expected to fall below 8 per cent until 1995.

Long-term Unemployment a Growing Concern

The nature of unemployment is also changing, with long-term unemployment a growing problem. More laid-off workers lost their jobs to permanent plant closures in this recession than in 1981-82, and major investments in training and adjustment assistance will be needed to help workers re-enter the job market.

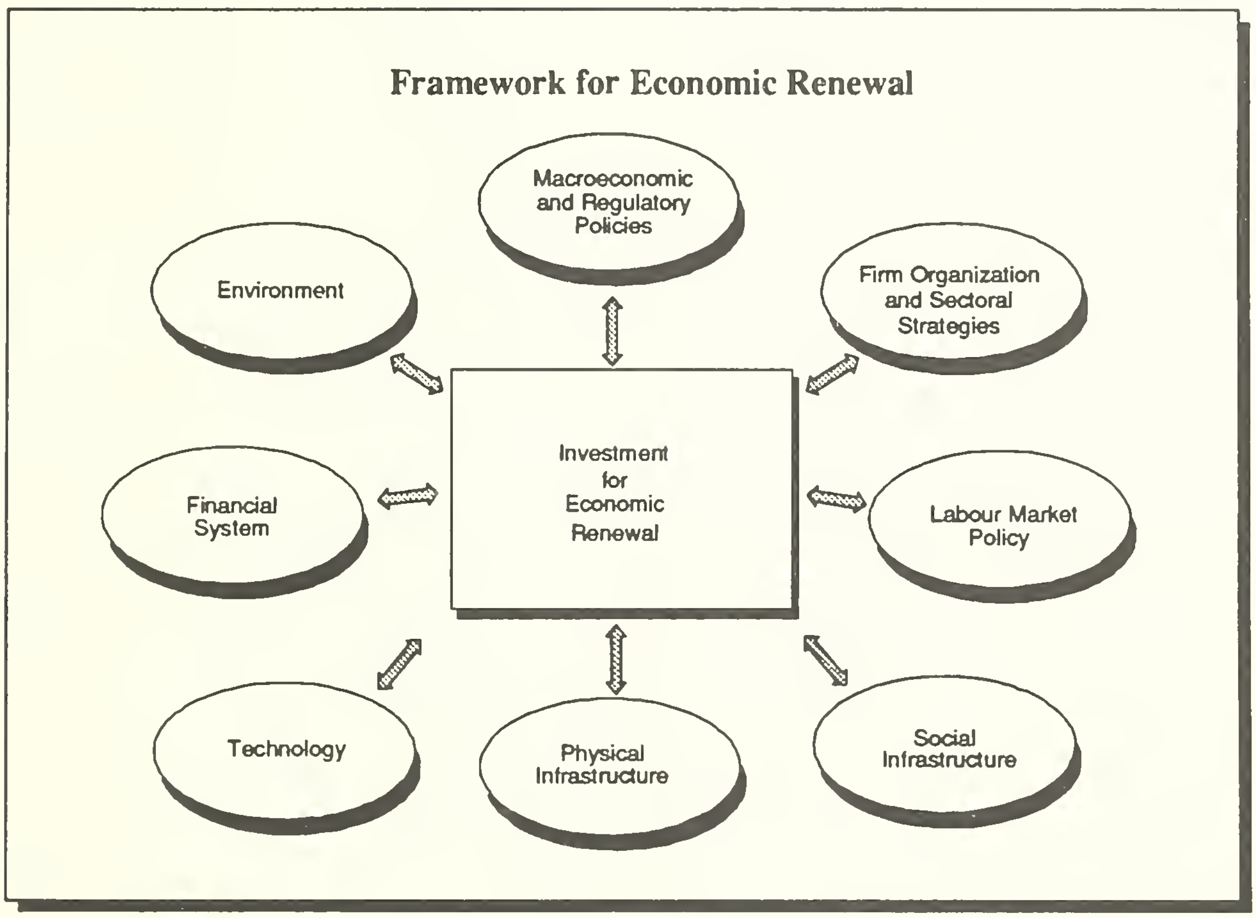
Policy Framework

While a cyclical recovery is expected this year, the Ontario economy will continue to face structural adjustment. Without policies that support investment, innovation and flexibility, output growth will remain well below historical norms, holding unemployment at very high levels.

There is a growing consensus among business, labour and academics that the changing world trade system and powerful new technologies require effective investment in factors such as human resources, training, technology, infrastructure and flexible organization. The Government's overall economic policy framework was presented in the 1992 Budget paper *Investing in Tomorrow's Jobs*.

The framework recognized a number of key principles for government policies in support of economic renewal, including:

- The integration of economic and social policy to take account of the growing interdependence of technological, economic and social change;
- The redirection of spending to foster productivity and growth;
- The involvement of business, labour and communities in setting new priorities and in reallocating resources.



The report that follows describes recent developments and critical trends in the Ontario economy. This provides the context within which policies and programs promoting effective investment in people, infrastructure, technology and equipment must be formed.

Current Economic Conditions

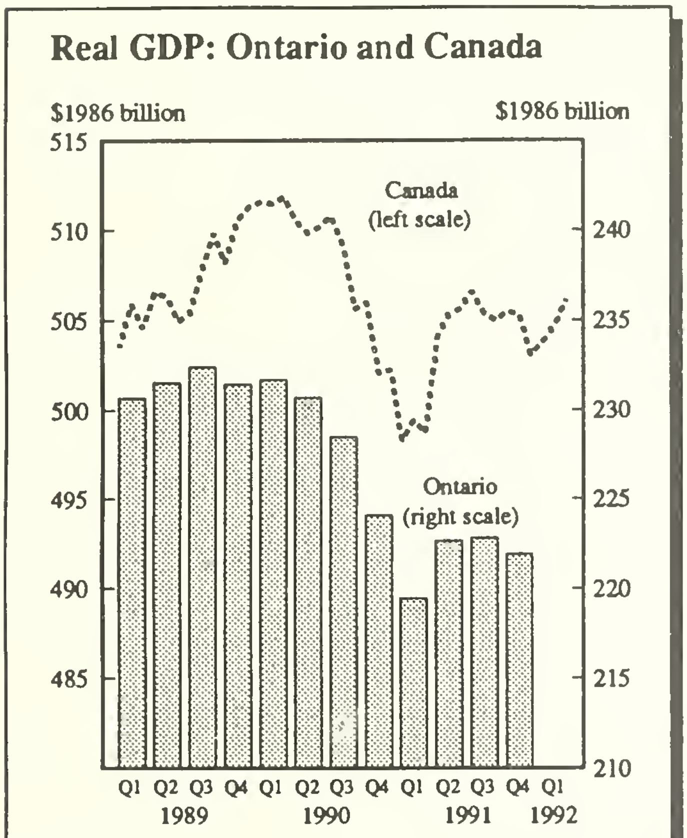


Figure 1.1

Real GDP Continued to Rise in March

After gains of 0.2 per cent in both January and February, Canadian real GDP rose 0.3 per cent in March. For 1992:1, real GDP grew 0.2 per cent at annual rates, after falling 1.0 per cent in 1991:4.

Improvement in 1992:1 was concentrated in services, in particular, finance, insurance and real estate rose at a 7.7 per cent annualized rate. Transportation equipment rose 14.5 per cent at annual rates. Ontario accounts for over 75 per cent of Canadian output of transportation equipment.

Based on these national figures, the Ontario economy also likely expanded in recent months.

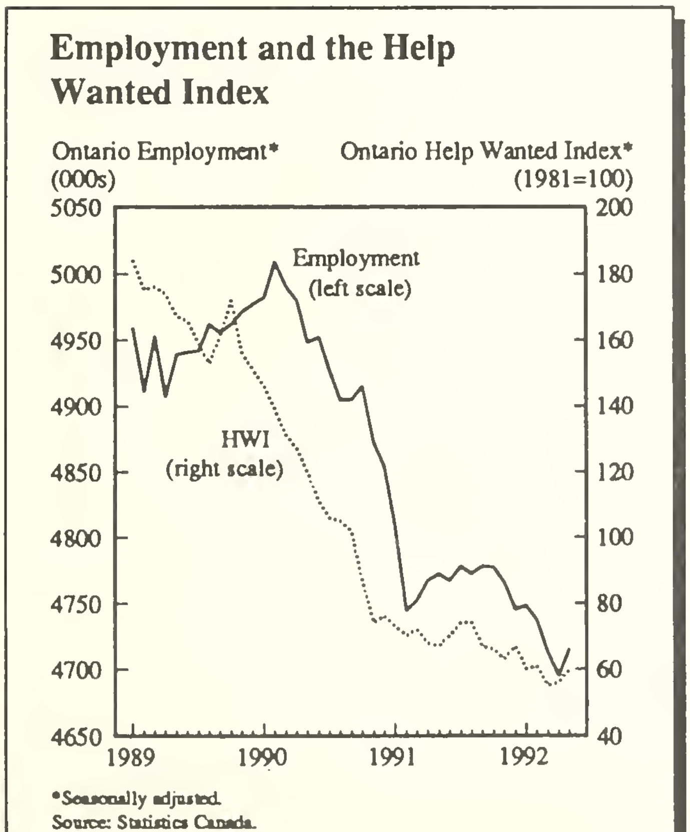


Figure 1.2

Signs of Turnaround in Jobs

Ontario gained 20,000 jobs in May, following a peak-to-trough decline of 314,000 from February 1990 to April 1992. However, an increase in the number of job seekers pushed up the unemployment rate to 10.9 per cent in May, but this is typical for the initial stages of recovery.

Also in May, the Ontario Help Wanted Index, which is a leading indicator of future employment conditions, rose for the second consecutive month.

These encouraging statistics indicate that job prospects are starting to improve. More detail on labour market issues is provided later in the report.

Interest Rates and Ontario Housing Starts

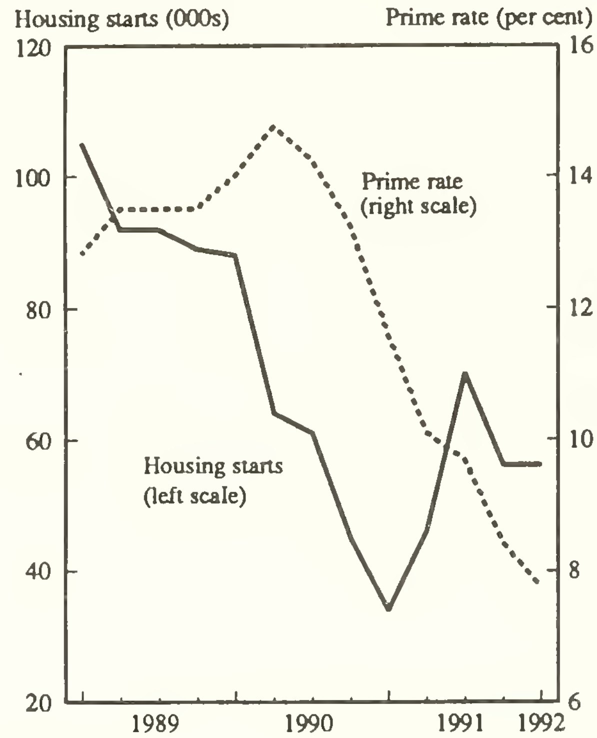


Figure 1.3

Lower Interest Rates Spur Housing and Durables

The prime lending rate has fallen by more than half, from a peak of 14.75 per cent in the spring of 1990 to its current rate of 7.25 per cent. It typically takes about two years before the full stimulative effects of lower interest rates translate into higher economic activity.

Interest-sensitive sectors such as housing and home-furnishings purchases have begun to respond to the sharp reduction in lending rates. Housing starts averaged 56,000 at annual rates in the first quarter of 1992, up from about 53,000 starts in 1991. Ontario resales eased in April following steady gains since December. The recovery in housing has led to increased spending on home furnishings, which rose 9.9 per cent in 1992:1 from the same period last year.

Inflation and Wage Settlements

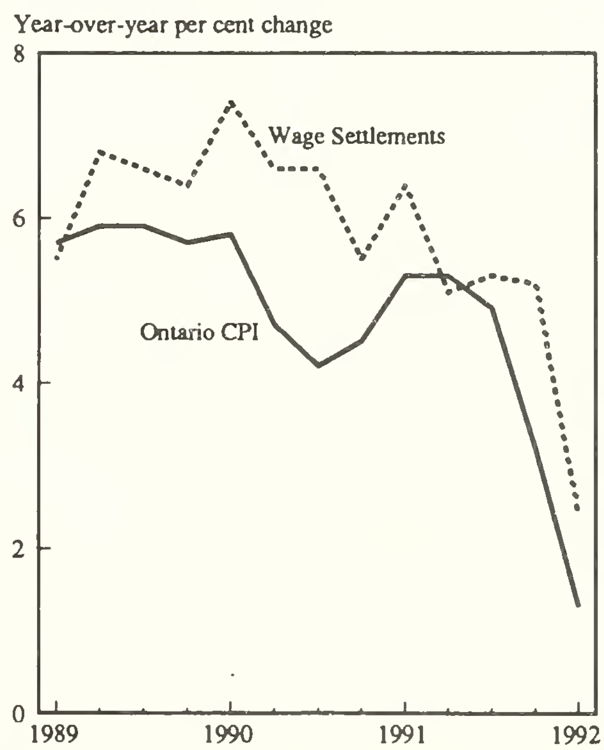


Figure 1.4

Lower Inflation Will Aid Recovery

The Ontario Consumer Price Index rose only 1.3 per cent in April 1992 compared to a year earlier, much lower than the 4.6 per cent increase in 1991. Core inflation, which excludes food and energy, was 1.9 per cent in April, down from 4.7 per cent in 1991.

Economic weakness and lower inflationary expectations have brought down wage settlements in Ontario. In March, settlements involving 50 or more workers averaged 2.3 per cent in Ontario and 2.7 per cent in Canada. Wage settlements in 1991 averaged 5.7 per cent in Ontario and 3.6 per cent in Canada.

Lower inflation will contribute to ongoing low nominal interest rates.

The Exchange Rate and U.S. Growth

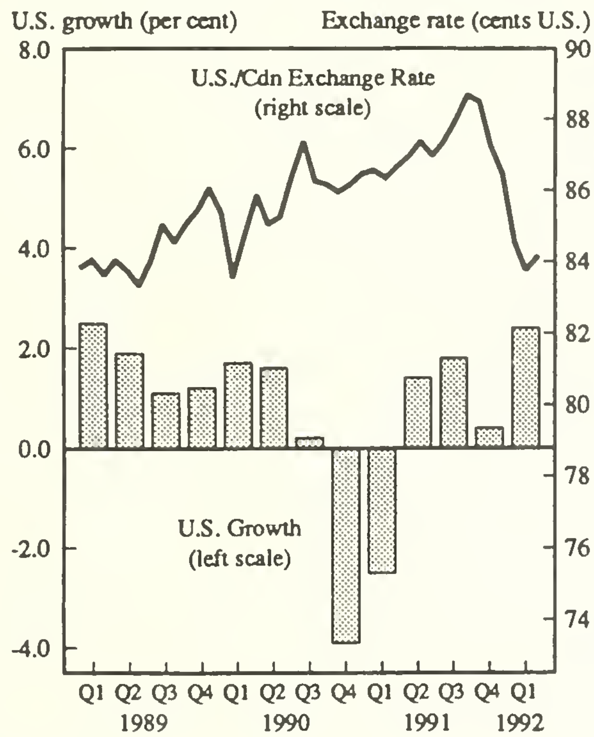


Figure 1.5

Lower Dollar and Stronger U.S. Growth Help Exporters

The recent decline in the value of the Canadian dollar, from a peak of over 89 cents U.S. in November to about 83 cents U.S. in May, provides a competitive boost to Ontario firms.

Recent data indicate that the U.S. economy is gaining strength. Retail sales, employment, durable orders and consumer confidence have strengthened in recent months.

Ontario exports destined for the U.S. account for over 85 per cent of Ontario's international exports. Real U.S. growth rose at an annual rate of 2.4 per cent in the first quarter, the strongest growth experienced in the U.S. in three years. Stronger U.S. growth, combined with the lower dollar, provides the basis for solid export-led growth in Ontario.

Ontario and Canada Merchandise Exports Growth

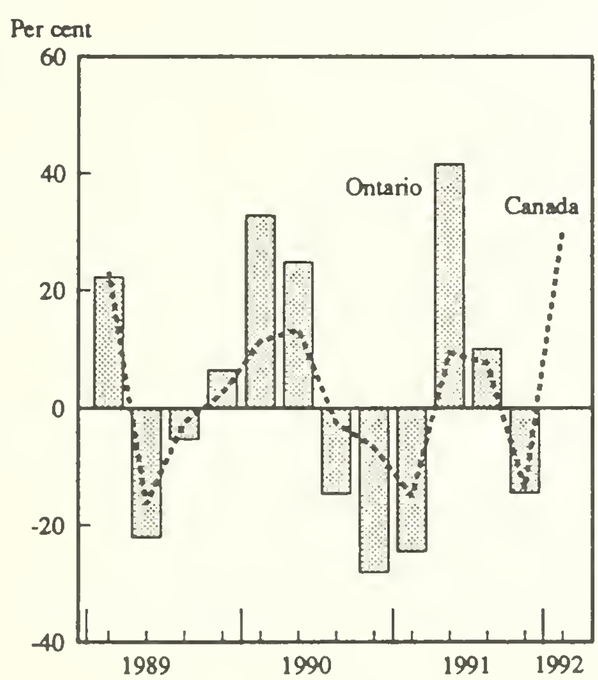


Figure 1.6

Trade Performance Improves

Led by a significant recovery in auto industry exports, Canadian merchandise exports rose by nearly 30 per cent at annual rates in the first quarter of 1992, to a record high of $149.3 billion.

Ontario exports are expected to show a similar increase for 1992:1, boosting provincial economic growth significantly. International exports amount to 30 per cent of Ontario's output.

Weak domestic demand in Canada has led to flat import volumes. Consequently, the first-quarter Canadian merchandise trade balance soared to $12.2 billion from $3.7 billion in 1991:4.

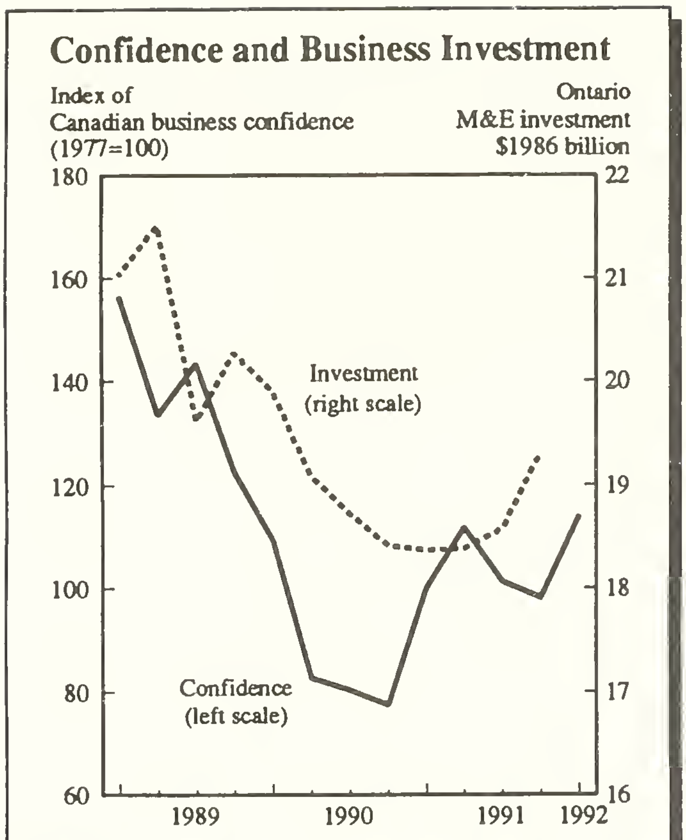


Figure 1.7

Investment and Business Confidence Up

Real spending on machinery and equipment by Ontario businesses has risen steadily since the first quarter of 1991 low. Most of the increase has been in productivity-enhancing office machinery, mainly computers. The latest Investment Intentions Survey from Statistics Canada indicated that spending on machinery and equipment in Ontario will rise by 3.4 per cent in 1992.

Recent major investment announcements include Ford ($2 billion in Windsor and Oakville), C.G.E. ($144 million in Oakville) and Glaxo ($70 million in Mississauga).

According to the Conference Board of Canada, business confidence in Canada rose sharply in 1992:1, to its highest level since the start of the recession. Sharply lower interest rates, a lower dollar and higher corporate profits will sustain the recovery now under way in business investment.

KEY MESSAGES

- Lower nominal interest rates, stronger U.S. growth, and the recent decline in the Canadian dollar have set the stage for economic recovery in Ontario this year.
- Improvement in a number of areas -- including employment, exports and manufacturing shipments -- support this view.

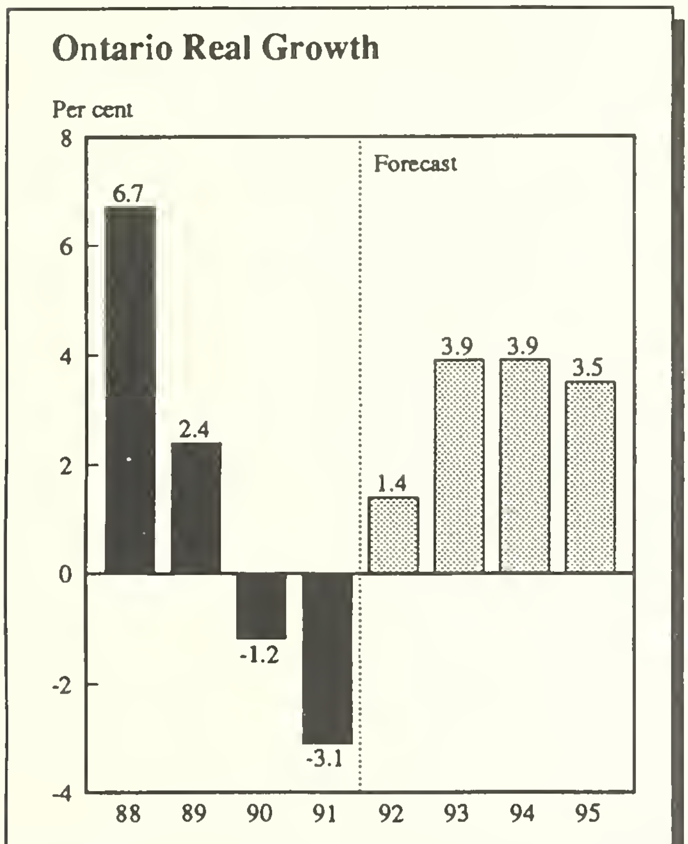


Figure 2.1

Steady Medium-Term Growth

Following a decline of 3.1 per cent in 1991, Ontario's real output is expected to expand by 1.4 per cent in 1992 and 3.9 per cent in 1993. The decline in interest rates over the past two years, the lower value of the Canadian dollar and stronger growth in the United States are forecast to lead to an improving export picture, stronger housing investment and a turnaround in consumer spending.

Over the 1994-1995 period, the expansion is expected to be more broadly based. Real growth is expected to average 3.7 per cent over the 1994-1995 period, faster than all G-7 countries except Japan. Medium-term expansion will be supported by investment in productivity-enhancing machinery and equipment, sustained growth in the United States and high immigration levels.

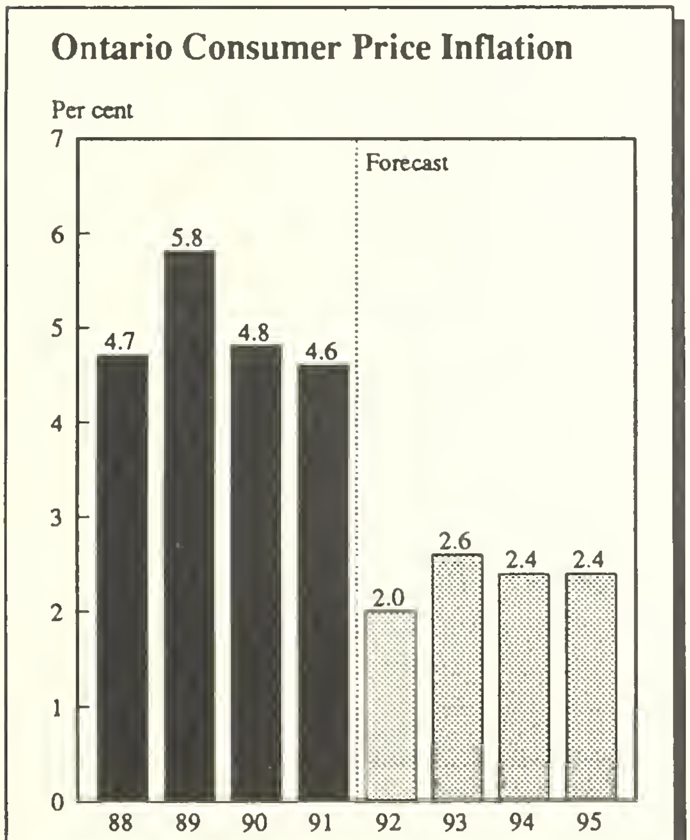


Figure 2.2

Low Inflation Environment to Continue

Ontario is expected to have a lower rate of inflation over 1992 to 1995 than any of the G-7 countries.

Continuing slack in the economy and more moderate wage expectations will constrain CPI inflation to 2.0 per cent in 1992. In 1993, stronger economic growth and the decline in the value of the Canadian dollar will place upward pressure on inflation, which is expected to rise to 2.6 per cent. Over the medium-term, inflation is expected to remain low.

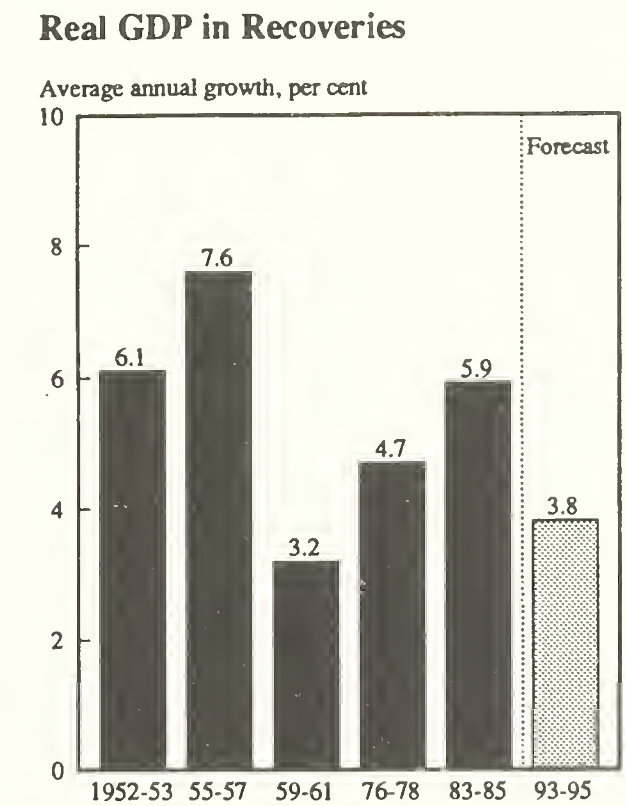


Figure 2.3

Economic Recovery Milder

The pace of growth over the 1993 to 1995 period is expected to be slower than most previous recoveries. A number of factors will limit the pace of growth: high real interest rates, high debt levels, slow U.S. and international growth and ongoing structural adjustment to increased globalization, technological change and trade agreements including the FTA and proposed NAFTA.

Productivity growth is a key factor in the medium-term expansion. Investment in plant and equipment, as well as in training and innovation, are needed to support productivity growth and provide high-paying jobs for Ontarians. As market demand increases and profits recover, Ontario firms will have an opportunity to undertake the productivity-enhancing investment needed to maintain and strengthen Ontario's competitive position.

KEY MESSAGES

- Ontario is expected to grow faster than any of the G-7 countries except Japan over the 1993-95 period.
- However, growth over the medium term will be weaker than in previous recoveries due in large part to ongoing structural adjustment.
- Effective investment -- in people, infrastructure, technology and the promotion of innovation -- is the key to economic renewal. The central role of investment was an important theme of both the 1992 Budget and the accompanying paper *Investing in Tomorrow's Jobs.*

Ontario Job Creation

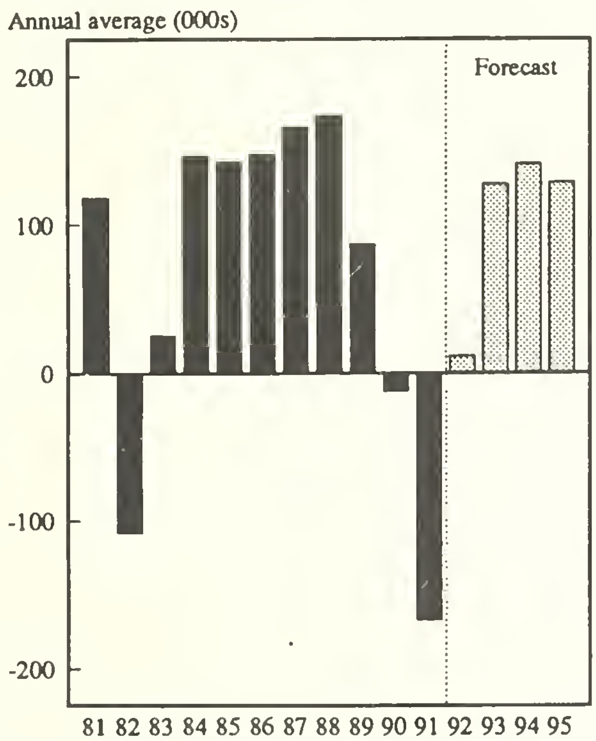


Figure 3.1

Moderate Employment Growth

More than 300,000 people in Ontario lost their jobs during the 1990-91 recession, exceeding the number of jobs lost during the 1981-82 recession. Ontario bore the brunt of Canadian job losses. About 60 per cent of all jobs lost in Canada occurred in Ontario, although Ontario accounts for about 40 per cent of the national labour force.

Employment levels are expected to recover more slowly during this recovery than following the 1981-82 recession. The number of jobs is not expected to return to pre-recession levels until 1994.

Ontario Job Creation
Men and Women

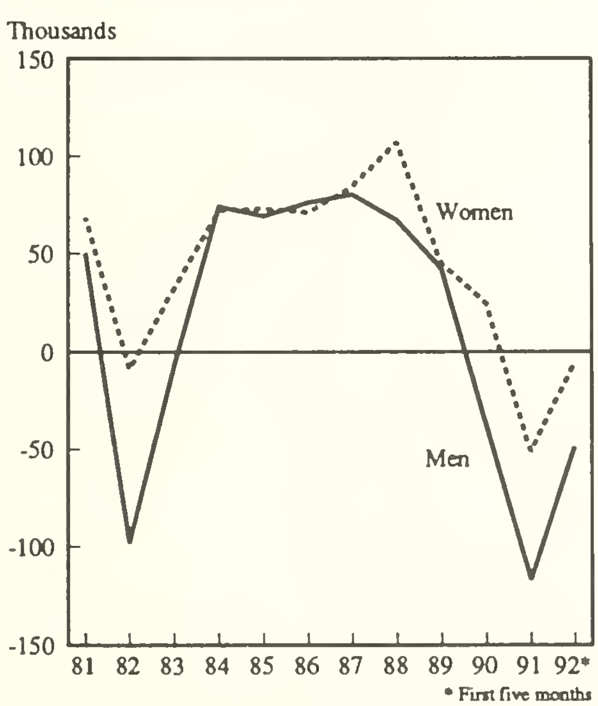


Figure 3.2

Men Faced More Job Losses

Male workers accounted for about three-quarters of the more than 300,000 jobs lost during the 1990-91 recession. The main reason for the larger impact for male workers is their higher representation in manufacturing and construction occupations that were hit hardest by the recession.

By contrast, women accounted for only about one-quarter of jobs lost during the recession, partly because they are less likely to be employed in these types of jobs. The number of women in part-time jobs also increased during the recession, offsetting some of the losses of full-time jobs held by women.

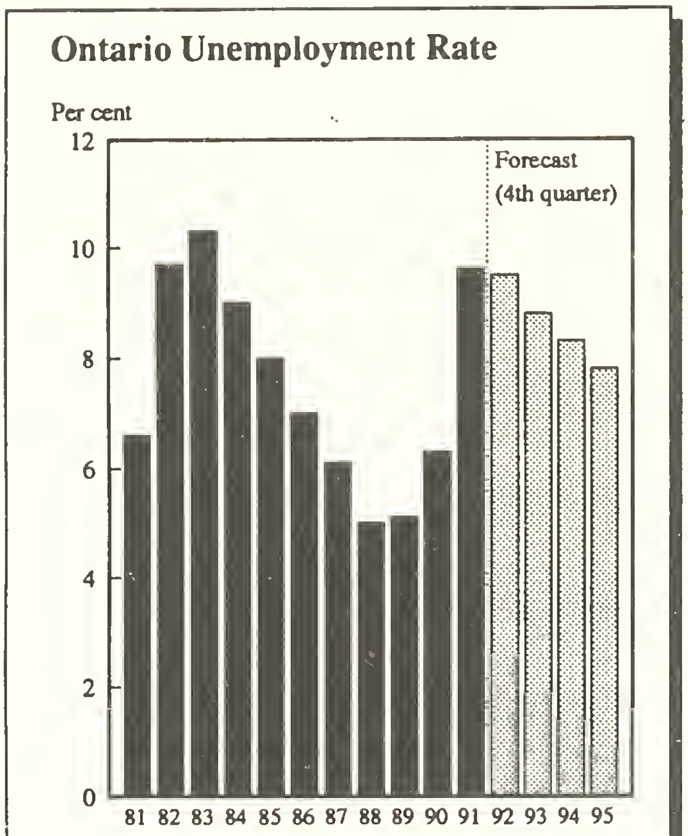


Figure 3.3

Unemployment Rate to Decline Slowly

Ontario's unemployment rate during the first five months of 1992 averaged 10.3 per cent, its highest level since 1983. Over the same period, the unemployment rate for men was 11.5 per cent compared to 8.9 per cent for women. Increased joblessness reflects a combination of cyclical and structural pressures facing the Ontario economy.

Unemployment is expected to decline gradually through 1992-1995. The slow pace reflects moderate economic and employment growth, continuing labour force growth and the lingering impacts of structural job losses and plant closures.

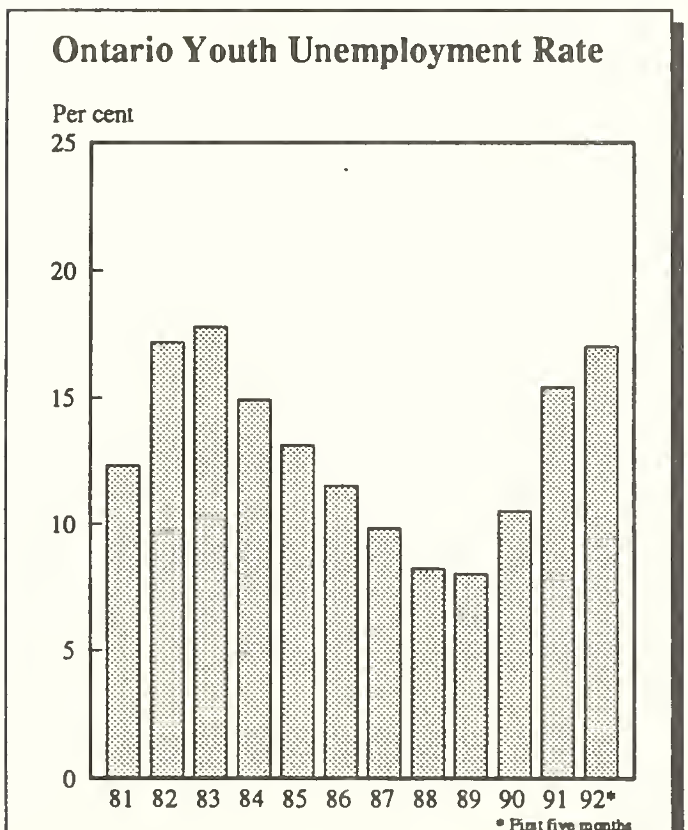


Figure 3.4

High Youth Unemployment Rate

In 1991 the unemployment rate for youth in Ontario was 15.4 per cent, compared to 9.6 per cent for the labour force as a whole. The seasonally-adjusted youth unemployment rate has since risen to 17.0 per cent in the first five months of 1992.

Youths currently make up 17 per cent of the labour force and 29 per cent of the unemployed. In 1981, youth accounted for 25 per cent of the labour force, but 47 per cent of the unemployed. Young workers tend to be disproportionately affected by economic downturns -- compared to older workers, a greater share of youths lose their jobs. However, because of school and other activities, young people also traditionally have a weaker attachment to the labour force and are likely to spend a shorter time unemployed than adults.

Less educated segments of the youth labour force continue to have the most difficulty in the job market. In April 1992, youth without a high-school diploma had an unemployment rate of 32 per cent, compared to 21 per cent for high school graduates and 14 per cent for those with some or complete post-secondary education.

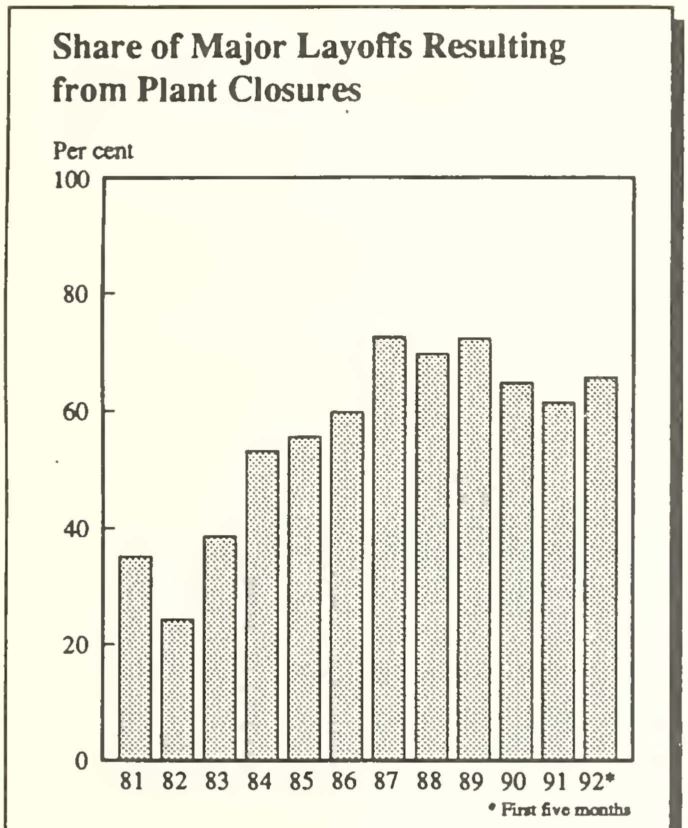


Figure 3.5

Structural Pressures Visible in Major Layoffs

In 1982, layoffs due to plant closures accounted for 24 per cent of the workers affected in major layoffs involving more than 50 people. By contrast, these types of permanent closures were responsible for 63 per cent of the jobs lost to major layoffs in the 1990-91 recession. Major layoffs mainly involve larger manufacturing companies and represent only a small part of total shifts in employment.

Restructuring pressures have intensified since the mid-1980s, reflecting accelerating technological change, increased global competition, the Free Trade Agreement, and a high Canadian dollar.

The larger structural component of job losses in the 1990-91 recession means more laid-off workers have skills that no longer match the changing needs of the economy, and require major investment in new skills.

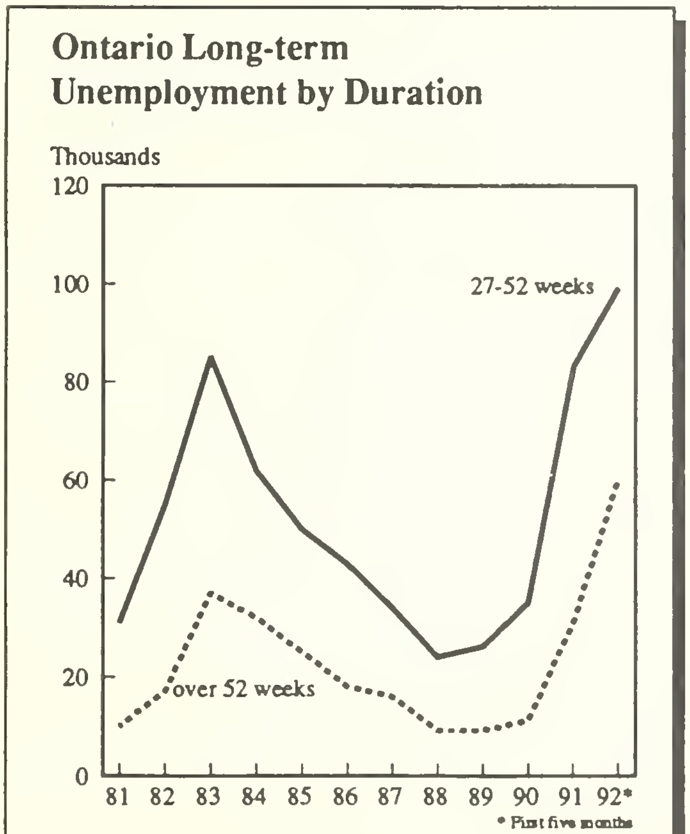


Figure 3.6

Long-term Unemployment a Growing Concern

More than one in every four unemployed workers in Ontario has been looking for a job for more than six months. This represents about 160,000 Ontario workers. The number will increase, since many of those laid off in the past six months will not find new jobs immediately. By comparison, the number of long-term unemployed peaked at 121,000 in 1983.

Most of the long-term unemployed are in the 25-44 age group. Many workers in this age group fall back on savings or a spouse's earnings for income support. Others -- roughly one in 10 -- will turn to social assistance when their Unemployment Insurance benefits are exhausted (By comparison, the long-term unemployed in 1982-83 were typically under age 25 and were more likely to rely on parental assistance for income support).

Indicator of Family Income Inequality

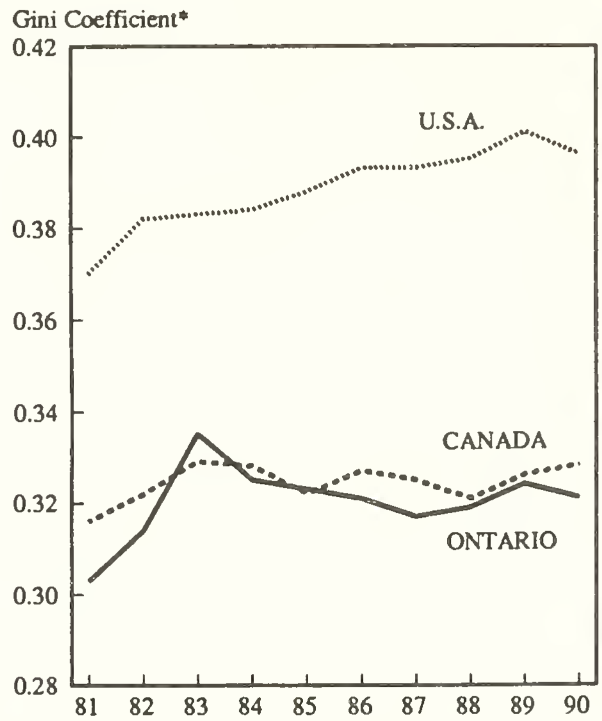


Figure 3.7

*The Gini coefficient is a statistical measure of income inequality whose value can range between zero and one, with lower values indicating greater equality.

Family Income Inequality

While family income inequality in Ontario increased during the recession of the early 1980s, income became less polarized through the rest of the decade to 1990. Data on the recent recession of the early 1990s are not yet available.

In general, family income in Ontario tends to be slightly more equally distributed than in Canada as a whole.

There is greater income inequality among families in the U.S. than is the case in Ontario and Canada. The U.S. experienced a similar jump in inequality in the early 1980s; however, in contrast to Ontario and Canadian patterns, the U.S. trend since that time has been one of increasing polarization.

KEY MESSAGES

- Modest economic and employment growth combined with expansion in the labour force will result in a slow reduction in unemployment rates through 1995.

- Plant closures and other structural changes in the economy are contributing to growth in long-term unemployment.

- The Province has increased its allocation for training and adjustment to $930 million this year -- a 24 per cent increase over 1991-92 fiscal year. The Province's **JOBS ONTARIO** training, capital works, homes and youth initiatives represent a multi-year commitment to helping unemployed workers re-enter the job market.

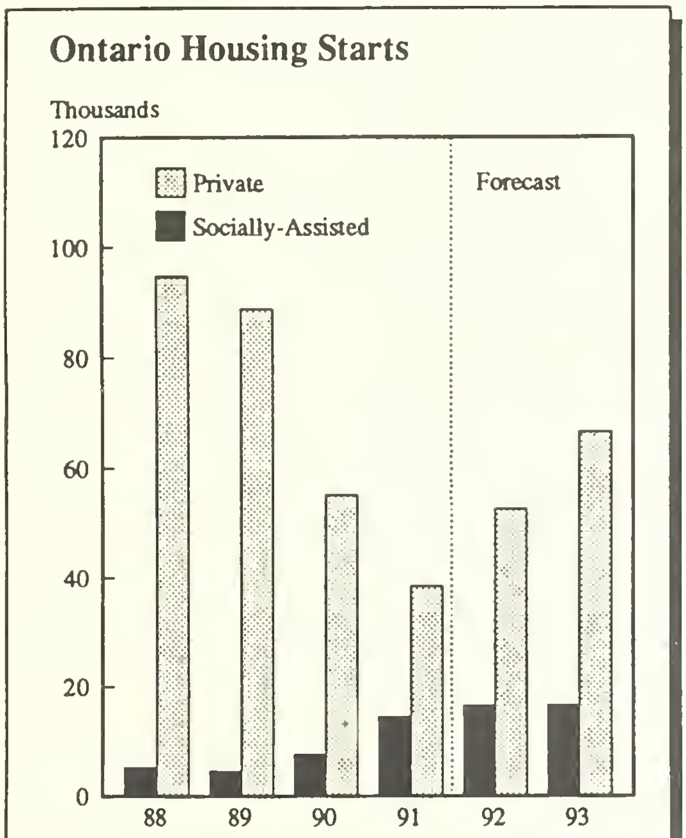


Figure 4.1

Housing Leading the Recovery

The outlook is for a stronger recovery in residential construction than for the economy as a whole. A key factor in this rebound is the much improved affordability arising from lower nominal interest rates and lower house prices. According to the Canada Mortgage and Housing Corporation, one in four renters can now afford to carry a starter home in Toronto, up from only one in fourteen in June 1990. Other contributing factors include CMHC's new 5 per cent downpayment plan, access to RRSPs for first-time home buyers, and planned increases in Ontario's socially-assisted housing.

The housing sector is expected to average 17 per cent output growth in 1992 and 1993, and the rebound in this sector will have spillover effects on other industries e.g. increased demand for consumer durables such as appliances and furniture.

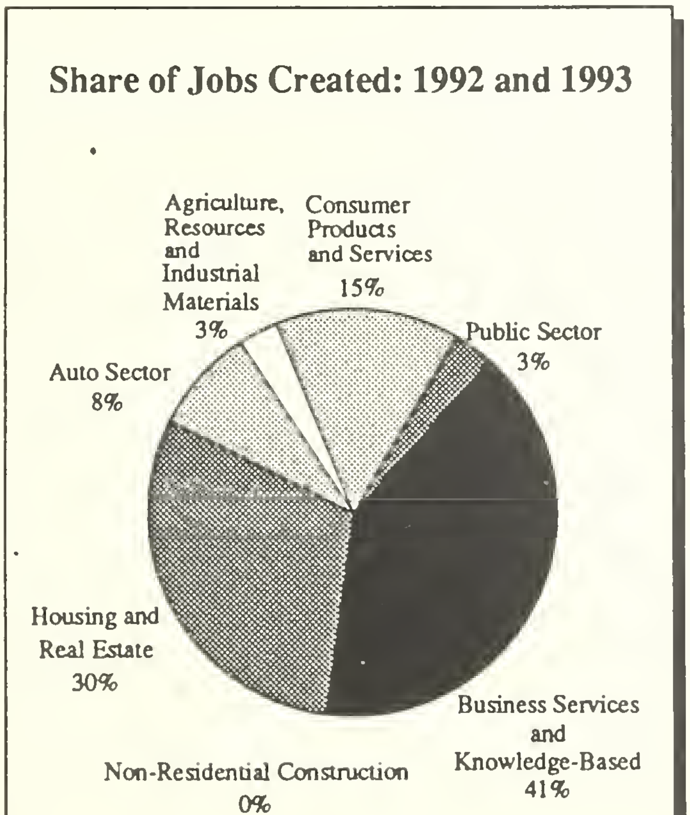


Figure 4.2

Business Services* To Outpace the Economy

Growth in financial and business services will pick up strongly in 1992 and 1993 and continue to exceed overall economic growth. As a result, this sector's share of provincial employment, which rose through the 1980s, to 11 per cent in 1991, should continue to rise.

Greater business investment in new information technologies will help underpin a growing demand for specialized business services. Continued business restructuring will include the outsourcing of services, such as accounting, contributing to business efficiency.

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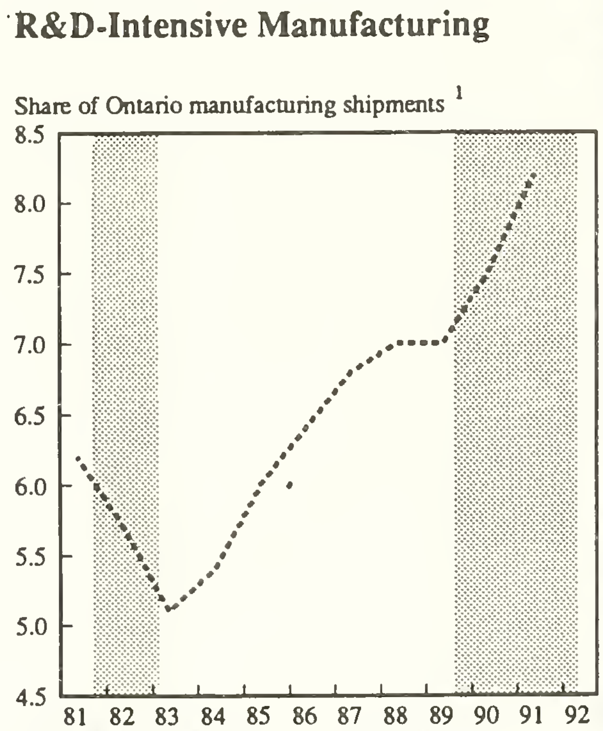
* Finance, insurance, accounting, legal, air transport, employment agencies, security services and miscellaneous.



Shaded area indicates recession in manufacturing.

[1]Includes aerospace, pharmaceuticals, computers, scientific and communications equipment.

Figure 4.3

Knowledge-Based Industries* to Benefit from Business Investment

The recovery in business spending on machinery and equipment in Canada and the United States will contribute to strong growth in knowledge-based manufacturing industries, e.g. communications equipment. Underpinning growth will be continued pressure on business to adopt new cost-efficient technologies and equipment to remain competitive.

Growth in knowledge-based industries will outpace the economy as a whole. As a result, R&D and technology-based production will increase its share of total output, contributing to a higher value-added economy.

* R&D-intensive manufacturing, machinery and equipment, advanced services (e.g. engineering), business & labour organizations, universities and culture.

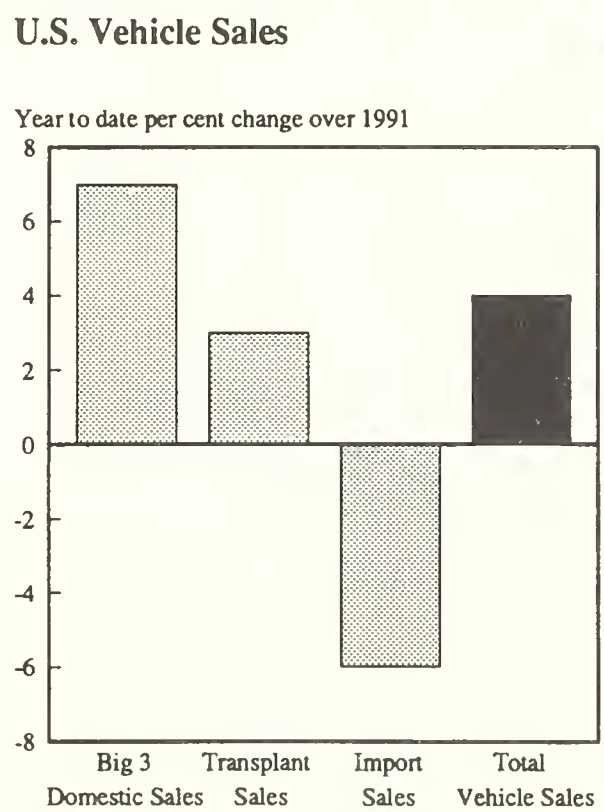


Figure 4.4

Auto Sector Leads Export Growth

Ontario's auto assembly and parts industries are highly oriented to the United States, exporting 90 per cent and 75 per cent of their output respectively. They produce half of the province's exports and are expected to account for two-thirds of export growth in 1992-93.

A U.S. recovery in auto sales is being spurred on by improving consumer confidence and purchasing power, and lower interest rates. G.M. and Ford posted first quarter 1992 profits in March following six consecutive quarters of losses. Vehicle sales figures are on track to fulfil the 7 per cent increase in sales forecast for 1992 to 14.7 million units for Canada and the U.S.

In addition, the share of North American-built vehicles sold in the United States has been rising while imports have been falling.

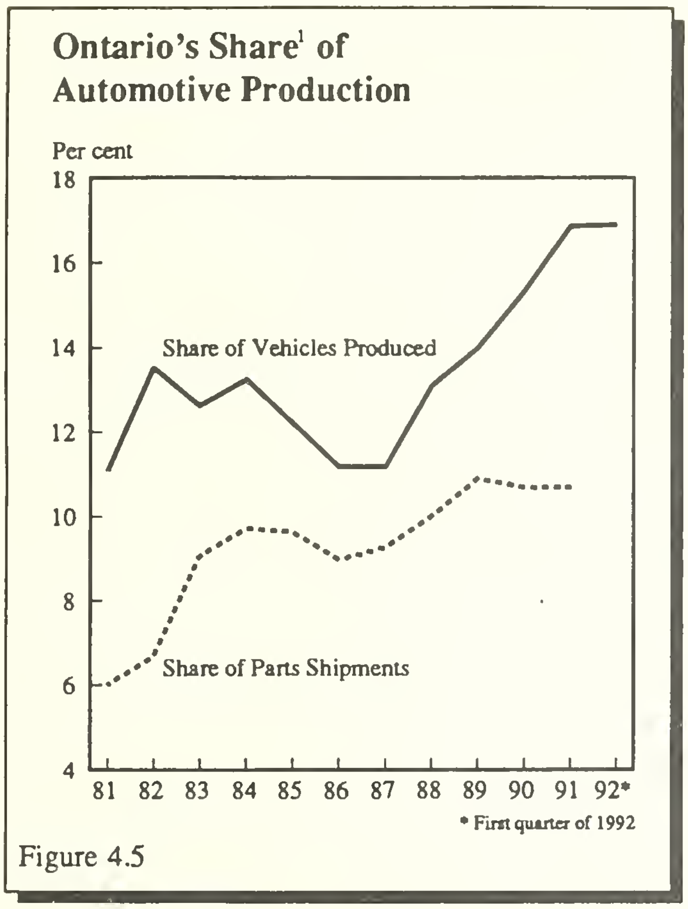


Figure 4.5

[1] Share refers to proportion of total number of vehicles produced in Canada and the U.S., and proportion of dollar value of total shipments in Canada and the U.S.

Ontario's Share of Vehicle Manufacturing Still Growing

Ontario continues to increase its share of vehicles produced in Canada and the United States, producing about 17 per cent of total light vehicles made in the two countries in 1991. This trend has continued in 1992. To date, vehicles produced in Ontario have increased by 27 per cent over 1991 figures. Production in the U.S. has increased by 15 per cent.

Ontario automotive parts manufacturers have maintained market share in Canada and the United States, at 11 per cent since 1989. There is ongoing pressure on parts manufacturers to provide higher quality parts at a lower cost.

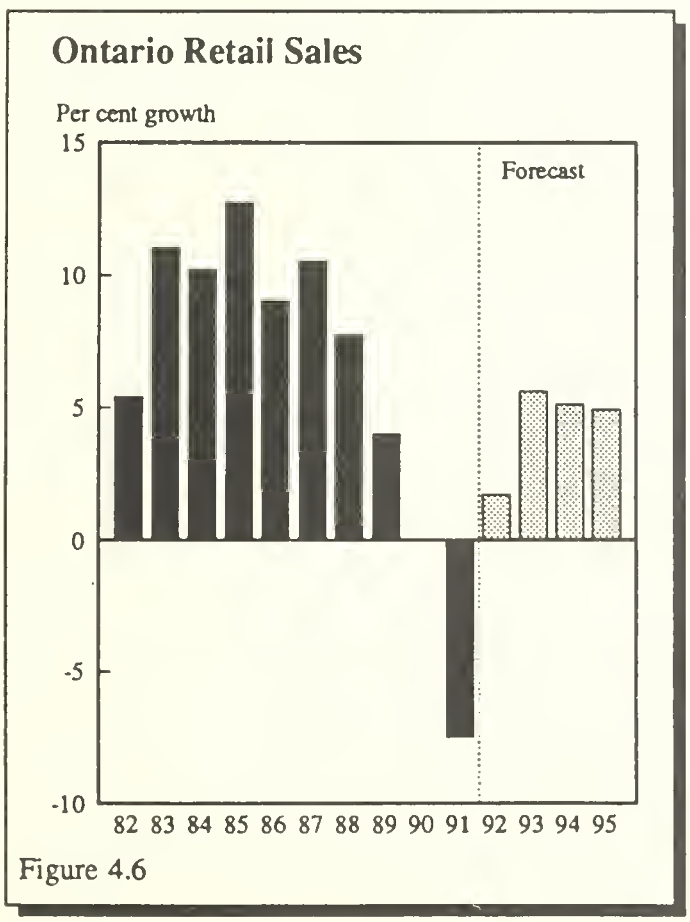


Figure 4.6

Consumer Products and Distribution Restructuring Continues

The consumer products sector has been rationalizing, but some sub-sectors continue to face adjustment difficulties e.g. household furniture. A slow recovery in consumer demand and declining tariff protection will keep pressure on Canadian manufacturers, but a lower Canadian dollar and an improved export orientation will help boost shipments.

The medium-term outlook for retailing is for modest growth as consumer confidence and spending slowly strengthen. Canadian retailers remain under intense pressure to reduce prices and costs. They have been responding to market pressures, but underlying structural problems e.g. lower scale economies and higher input costs than U.S. retailers, will necessitate more industry adjustment throughout the supply and distribution chain.

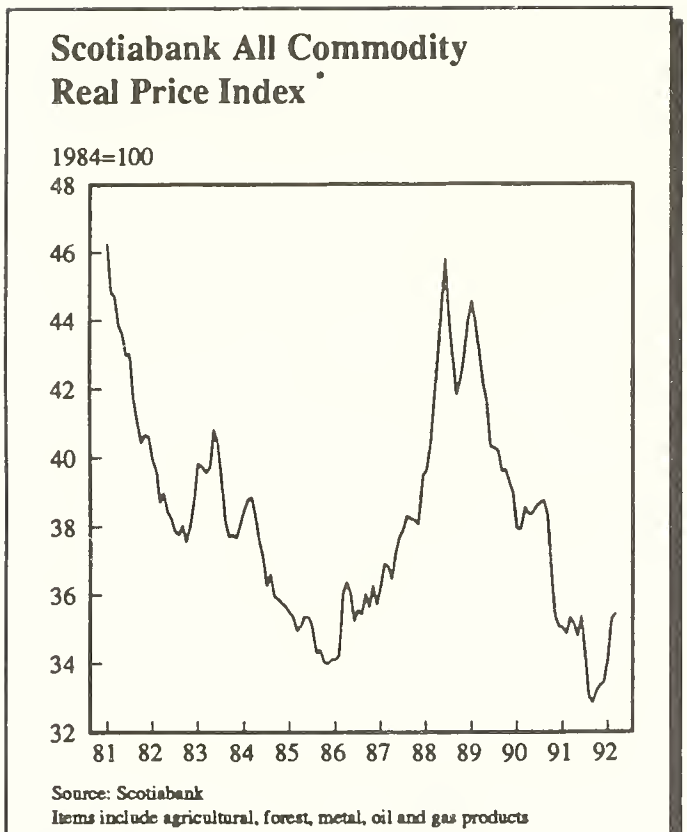


Figure 4.7

* Deflated by U.S. producer price index for intermediate products.

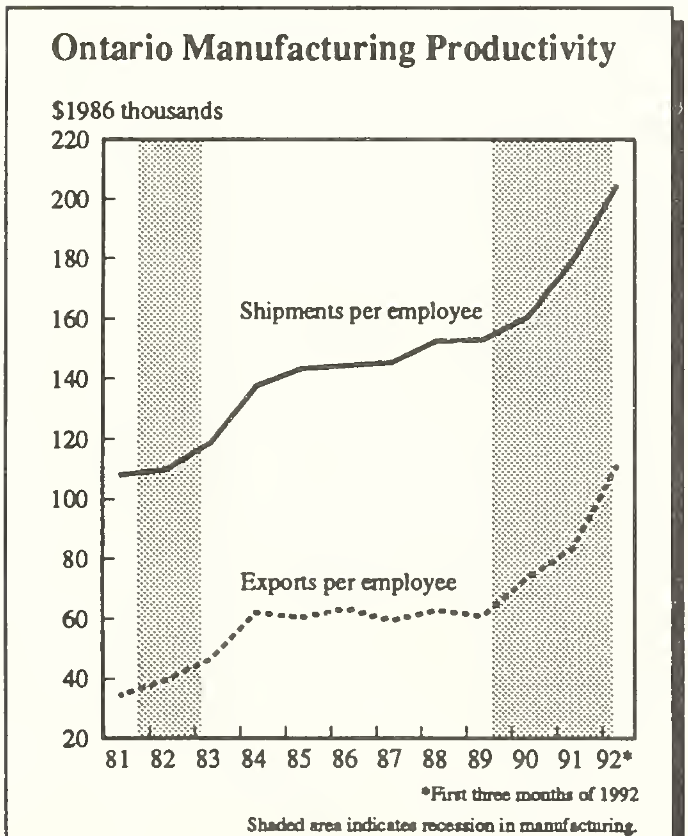


Figure 4.8

Turnaround in Resource and Agriculture Profits

These sectors are heavily influenced by international commodity price movements. Going into the recession, prices fell an average of 20 per cent, but in late 1991 many began to firm up, e.g. cattle, wheat, pulp, lumber and zinc.

The more export-oriented of these sectors, such as forest products and metals, are also being helped by the recent drop in the Canadian dollar, which fell from 89 cents U.S. last November to about 83 cents U.S. in late May.

Price and exchange rate movements, together with modest increases in output, should produce significant improvements in resource sector profitability. However, the secular decline in sector employment is forecast to continue due to continued productivity improvements and slow demand growth.

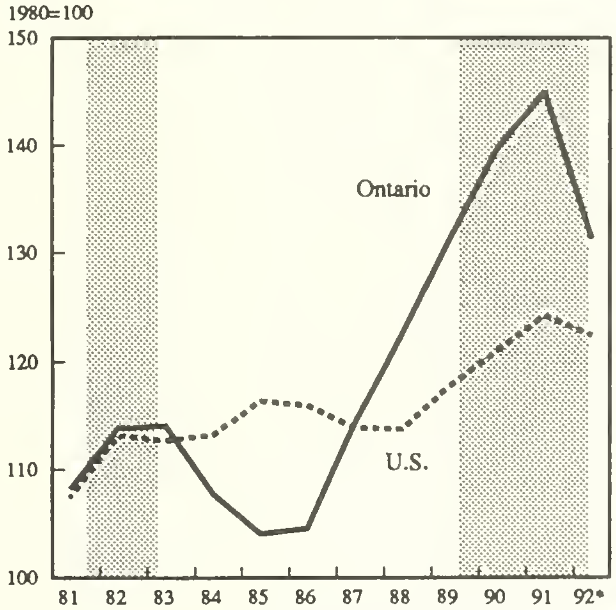
Manufacturing Poised for Productivity Gains

Manufacturing productivity has improved significantly since 1990. Real shipments per employee rose strongly in 1991 across a wide range of industries, led by leather, clothing and electrical products.

The increase in productivity, however, has been attained mainly through a sharp reduction in manufacturing employment. The full benefits of this restructuring for GDP per capita and living standards will occur once unemployed workers are retrained and re-absorbed into a growing economy.

Manufacturing competitiveness is further improved through Ontario's reductions in the corporate tax rate, improvement in the capital cost allowance, broadening of eligibility for the R&D Superallowance and creation of a 3 year, $150 million Sector Partnership Fund initiative to assist sectors with projects that increase their competitiveness.

Index of Manufacturing Unit Labour Costs (U.S. Dollars)



*first 3 months of 1992 (estimate for U.S.)
Canadian dollar averaged 84.96 US cents

Shaded area indicates recession in manufacturing.

Figure 4.9

Dramatic Improvement in Unit Labour Costs

Manufacturing productivity rose strongly in the first quarter of 1992 from the previous year, reflecting higher shipments and sharply-lower employment. As a result, unit labour costs and competitiveness relative to the United States improved considerably, despite rising manufacturing earnings and declining industry prices. A cyclical rebound in production will contribute to the higher utilization of efficient capacity and further improvements in productivity.

Also contributing greatly to the outlook for competitiveness is the sharp drop in the Canadian dollar to near 83 cents U.S. in recent months. The sharp dollar appreciation during the 1980s had been the main factor behind deteriorating competitiveness. Manufacturing wage settlements are moderating together with the cost of living in Ontario, also bolstering the outlook.

KEY MESSAGES

- Cyclical recovery will be led by housing and a revival in the North American auto market.
- Knowledge-based industries are expected to grow faster than the rest of the economy in this recovery; the consumer products and distribution sector continues to rationalize and restructure; and the resource sector is poised for a turnaround in profitability due to the lower dollar and firmer prices.
- Improved productivity and lower unit labour costs have boosted the competitiveness of Ontario manufacturers. This will help to ensure a sustained recovery in economic activity.
- Manufacturing competitiveness is further improved through Ontario's reductions in the corporate tax rate, improvement in the capital cost allowance, broadening of eligibility for the R&D Superallowance and creation of a 3 year, $150 million Sector Partnership Fund initiative to assist sectors with projects that increase their competitiveness.

Regional Population Growth, 1986 to 1991

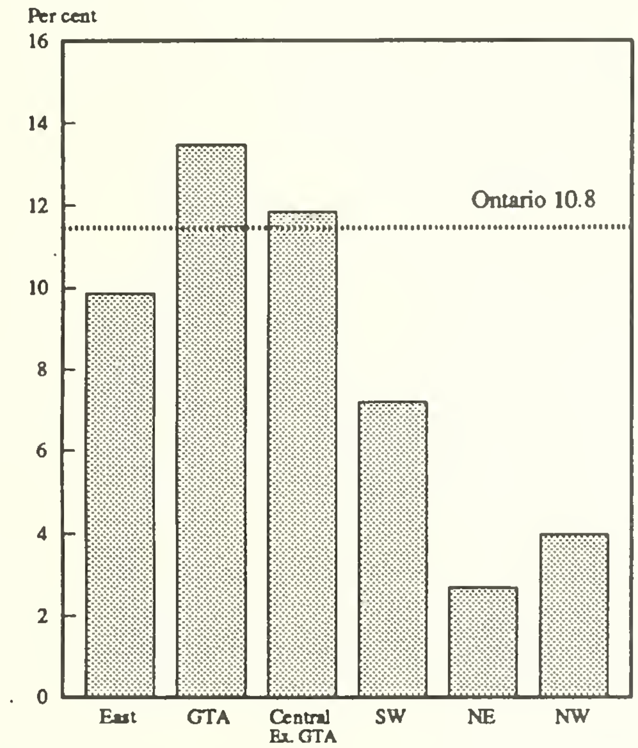


Figure 5.1

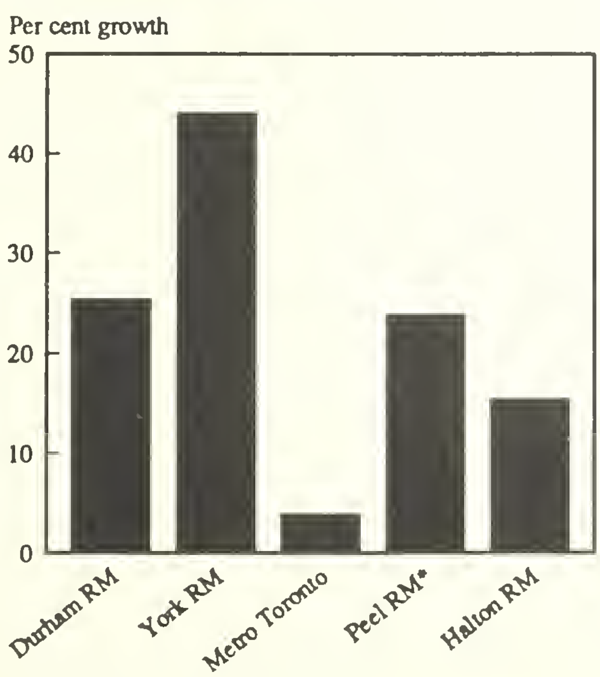
Strong Population Growth in Ontario

Between 1986 and 1991, Ontario's population grew by one million people, or nearly 11 per cent, to reach more than 10 million. This compares with an increase of about 8 per cent for the country as a whole. Only British Columbia and the Yukon exceeded Ontario's population growth rate.

With continuing high levels of immigration, Ontario's population is projected to increase by a further one and one-half million people by 2001.

Central and Eastern Ontario recorded the fastest growth, well above the national average. However, there was growth in every region of the province.

Population Growth
Greater Toronto Area, 1986 to 1991



* Adjusted for change in boundary

Figure 5.2

Population Increase Especially Rapid in the GTA

Population growth in the GTA outpaced the province as a whole between the 1986 and 1991 censuses. The Regional Municipality of York was the fastest growing component of the GTA at 44 per cent while the Municipality of Metropolitan Toronto was the slowest at less than 4 per cent.

With over 4.2 million people, the GTA now accounts for 42 per cent of Ontario's population and is expected to grow to 44 per cent by 2001. About 75 per cent of Ontario's net gain from immigration accrues to the GTA.

Rapid population growth has resulted in increased pressure for infrastructure investment.

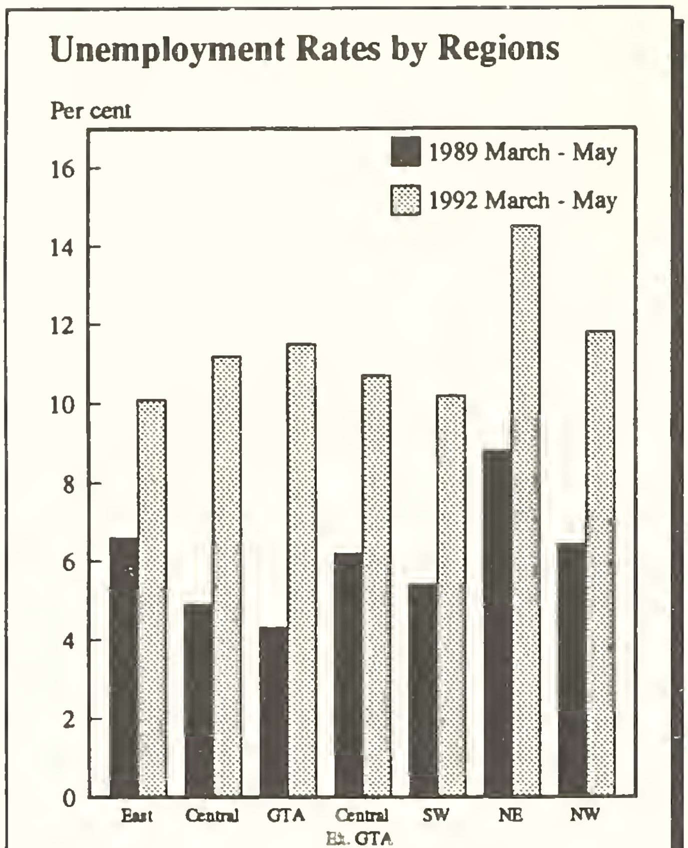


Figure 5.3

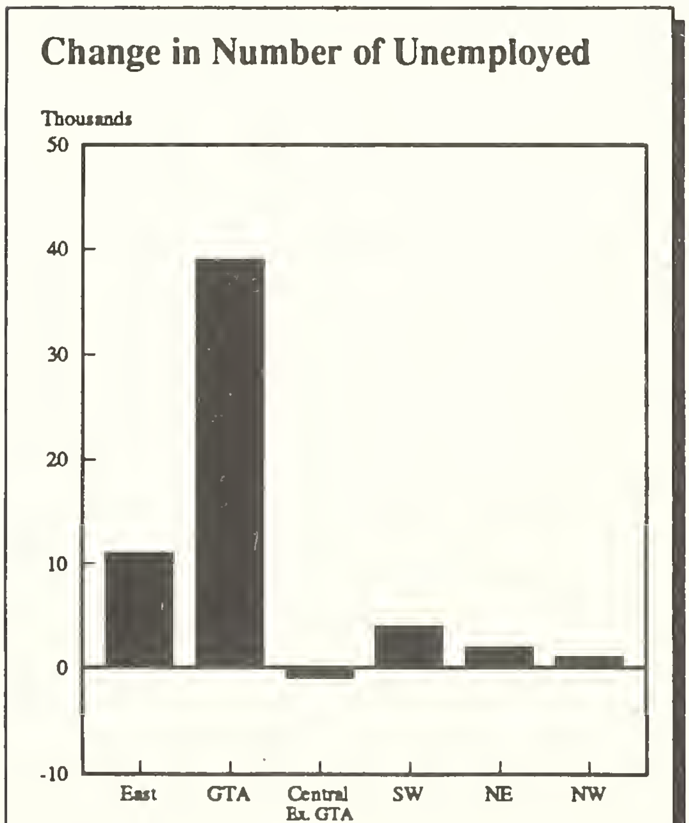


Figure 5.4

Recent Regional Employment Trends

Employment declined in all regions of the province during 1991, with a total of 167,000 jobs lost. The GTA accounted for 71 per cent of total job losses. During the three-month period ending May 1992, total employment declined by 63,000 jobs from a year ago. However, some positive signs are beginning to appear.

Central Ontario

The largest job losses continued to be in the GTA as layoffs and closures in the manufacturing and retail sectors mounted. However, the GTA is expected to benefit from a recovery in housing-related activity and forecast growth in the knowledge-based service and manufacturing industries.

Several major investments have also been announced in the GTA. Astra Pharma Inc. will be investing $97 million in facilities and equipment at its Mississauga pharmaceutical plant, creating an estimated 160 new jobs. Glaxo Canada Inc. is investing $225 million in a new head office and manufacturing plant in Mississauga. Ford Motor Co. of Canada plans to invest $500 million at its Oakville facilities in addition to $439 million recently spent there to establish a high tech paint facility. Combined with other investments, this will bring recent Ford investment in Oakville to over $1 billion.

Eastern Ontario

A number of communities have been hurt by layoffs and plant closures in the manufacturing sector, however the presence of a large public sector provides some economic stability to this region. New investments in communities such as Belleville, Napanee, Cardinal and Brockville are helping to offset layoffs. For example, in Napanee, Goodyear Canada will hire 130 new employees by October 1992, as tire demand has improved.

Southwestern Ontario

Lower production in the auto and truck sectors resulted in workforce reductions and closures at assembly and parts plants throughout the region. Restructuring in the textiles, furniture and food processing industries produced additional layoffs.

Recovery in Ontario vehicle and parts production will help stabilize employment in southwestern communities in the Southwest, and the planned relocation of Ontario government jobs from Toronto to Chatham and Windsor will help diversify local economies. Other positive developments include an announcement by Ford that it plans to invest more than $1 billion in facilities in Windsor, including a $59 million aluminum casting plant that will employ about 400 when production begins in 1993.

Northern Ontario

Weakness in markets for forest and mineral products produced high unemployment rates in 1991. However, there are positive factors for the region's economy. Many resource prices have started to firm since late 1991. The recent decline in the value of the Canadian dollar should boost resource exports. The level of the U.S. softwood lumber tax has been reduced. Restructuring at Algoma Steel in Sault Ste. Marie, and at Spruce Falls Power and Paper in Kapuskasing is under way. A recently announced $120 million co-generation station is to be built in Sault St. Marie. In addition, the Ontario government plans to relocate government jobs to Haileybury.

KEY MESSAGES

- Employment has declined in all regions and unemployment rates remain high.
- The GTA has had the greatest job losses during the current recession, although communities throughout the province have been hurt.
- Northeastern Ontario continues to have the highest unemployment rate.
- Although job losses continue, major investments and other positive developments will bring new jobs to Ontario.
- Rapid population growth in some areas has resulted in pressure for increased infrastructure investment.